

Be a Successful Investor by Following These 3 Rules

Description

Just about every investor I know is looking to accomplish the same thing. They just have different ways of getting there.

It isn't about who has the most money, the highest returns, or anything like that. In fact, there's a real argument to be made that the average investor shouldn't even bother to judge their results compared with the index. Since the ultimate goal is to have a happy and prosperous retirement, as long as an investor has the conclusion in mind, it's all good.

Individual goals can be accomplished in one of many ways. Investors can choose to focus on growing dividends, growth stocks that don't pay much in dividends, or value stocks that sell at a discount to the value of the assets. When implemented properly, each strategy can lead to successful results.

When debating about which system is the best, many investors focus on the tiny differences between each instead of thinking about the many similarities each system has in common. In fact, I can distill each into three important lessons that will turn every poor investor into a good one. Let's take a closer look.

Keep investing

As Einstein famously said, compound interest is the eighth wonder of the world. It's just a shame that many people don't stay invested enough long enough to really feel its effects.

For the average Canadian investor, there's a really easy way to ensure steady investment in the stock market. Each month, dedicate a certain percentage of your pay cheque to investing in stocks, and make it happen.

As much as we'd all like to sit on cash and then put it all to work after a significant correction, none of us have a crystal ball that will let us do that. But that's okay, since there are attractive investment opportunities everywhere. Don't focus on the market, focus on the components of the market. If you do that, it'll be easy to pick up shares of good businesses at fair prices.

Focus on quality

No matter what the investment style, folks looking for solid returns over the long term need to focus on quality.

As a value investor, this is something I struggle with all the time. There are plenty of cheap companies out there, but not so many of them are high quality and cheap, especially in today's market. Every value investor has spent countless hours trying to separate the good stuff from the mediocre stuff.

One example of a great and cheap company is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). Although the company has been passed by several of its competitors in size, it's still a

steady grower that's doing a lot of things right. And at just 10.7 times trailing earnings, with a yield of 4.6%, investors who buy into the stock today are getting one of North America's top financial institutions at a value price.

There's also the upcoming tsunami of retiring baby boomers that are going to need wealth management products. This will benefit all of Canada's banks, not just CIBC.

Be patient

A recent study released by a U.S. money manager showed that folks who either forgot about their accounts or who died ended up performing the best.

So much for active management.

This is exactly why we're big fans of buying quality stocks and holding them forever, like **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)). Over the past few years, Telus has greatly strengthened its grip on wireless market share, successfully expanded into providing television services, and revamped its whole customer service mindset, which has led to the lowest churn rates in the sector.

And as we continue to be addicted to our smartphones and Internet access, there's a very easy argument that Telus is the kind of company you stick in your portfolio forever, reinvesting the dividends the whole time.

Over the last decade, it sure has worked. Telus has returned 11.2% annually since 2005, trouncing the return of both the TSX Composite and S&P 500. There's no guarantee that this will continue, obviously, but there are certainly worse companies to buy and hold forever.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TU (TELUS)
3. TSX:CM (Canadian Imperial Bank of Commerce)
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